

**CIRCULAR LETTER**

to

**ALL SHARIA BANKS AND SHARIA DIVISIONS**  
**IN INDONESIA**

Subject : Procedure for Provision of the Sharia Bank Short Term Financing Facility

In regard to the enactment of Bank Indonesia Regulation Number 5/3/PBI/2003 dated February 4, 2003, concerning the Sharia Bank Short Term Financing Facility (State Gazette of the Republic of Indonesia Number 13 of 2003, Supplement to State Gazette Number 4261) and Bank Indonesia Regulation Number 6/2/PBI/2004 dated February 16, 2004, concerning the Bank Indonesia - Scripless Securities Settlement System (BI-SSSS) (State Gazette of the Republic of Indonesia Number 15 of 2004, Supplement to State Gazette Number 4363), it is deemed necessary to enact implementation guidelines concerning the Procedure for Provision of the Sharia Bank Short Term Financing Facility (FPJPS) as follows:

I. APPLICATION FOR SHARIA BANK SHORT TERM FINANCING FACILITY (FPJPS)

1. FPJPS Application by Sharia Bank

- 1) A Sharia Bank may submit an FPJPS application to Bank Indonesia through the BI-SSSS commencing from the cut off warning through 15 (fifteen) minutes after the BI-SSS pre-cut off.
- 2) FPJPS Application as referred to in number 1) shall be confirmed by written FPJPS application according to the example in Appendix 1,

copied ...

copied to the relevant Directorate of Bank Supervision or the Bank Supervision Team at the local Bank Indonesia Regional Office, enclosing:

- a. FPJPS Financing Agreement according to the example in Appendix 2 affixed with sufficient revenue stamp and signed by the Board of Directors of the Sharia Bank or duly authorized Officer of the Sharia Bank in accordance with Articles of Association in force for the Sharia Bank, made in duplicate; and
- b. Deed of Binding of Pledged Collateral according to the example in Appendix 3 affixed with sufficient revenue stamp and signed by the Board of Directors or duly authorized Bank Officer of the Sharia Bank in accordance with the Articles of Association in force for the Sharia Bank, made in duplicate.
- c. A Sharia Bank availing the FPJPS for the first time is required to fulfill the following administrative requirements:
  - i. provide specimen signatures for the Board of Directors of the Sharia Bank or duly authorized Officer of the Sharia Bank in accordance with the Articles of Association of the Sharia Bank;
  - ii. provide a photocopy of the Articles of Association of the Sharia Bank, specimen seal of the Sharia Bank, and photocopies of identification in the form of ID Cards/Drivers Licenses/Passports of the Sharia Bank Board of Directors or duly authorized Officers of the Sharia Bank in accordance with the Articles of Association of the Sharia Bank.
  - iii. in the event of any change as referred to in number i and number ii, the Sharia Bank shall be required to provide documents relevant to the change.

## 2. FPJPS Application by Sharia Division

- 1) A Sharia Division may submit an FPJPS application to Bank Indonesia through the BI-SSSS commencing from the cut off warning through 15 (fifteen) minutes after the BI-SSS pre-cut off.
- 2) FPJPS Application as referred to in number 1) shall be confirmed by written application according to the example in Appendix 1, copied to the relevant Directorate of Bank Supervision or Bank Supervision Team at the local Bank Indonesia Office, enclosing:
  - a. FPJPS Financing Agreement according to the example in Appendix 2 affixed with sufficient revenue stamp and signed by the Board of Directors of the conventional bank head office or duly authorized Officer of the conventional bank head office in accordance with the current Articles of Association of the conventional bank head office or by an Officer of the Sharia Division on the basis of power-of-attorney issued by the conventional bank head office to the Sharia Division, made in duplicate; and
  - b. Deed of Binding of Pledged Collateral according to the example in Appendix 3 affixed with sufficient revenue stamp and signed by the Board of Directors of the conventional bank head office or duly authorized Officer of the conventional bank head office in accordance with the Articles of Association in force for the conventional bank head office or by a Sharia Division Officer on the basis of power-of-attorney issued by the conventional bank head office to the Sharia Division, made in duplicate; and
  - c. Statement by the Board of Directors of the conventional bank head office declaring that the conventional bank head office is unable to provide funding support to the Sharia Division, according to the example in Appendix 4.

d. A Sharia ...

- d. A Sharia Division intending to avail FPJPS for the first time shall comply with the following administrative requirements:
  - i. Provide specimen signatures for the Board of Directors of the conventional bank head office or duly authorized Officers of the conventional bank head office in accordance with the Articles of Association in force for the conventional bank head office or Sharia Division Officers on the basis of power-of-attorney issued by the conventional bank head office to the Sharia Division.
  - ii. Provide a photocopy of the Articles of Association of the conventional bank head office, specimen seal of the conventional bank head office, and photocopy of identification in the form of ID Cards (KTP)/Drivers Licenses/Passports of the Board of Directors of the conventional bank head office or duly authorized Officer of the conventional bank head office in accordance with the Articles of Association in force for the conventional bank head office or Officers of the Sharia Division on the basis of power-of-attorney issued by the conventional bank head office to the Sharia Division.
  - iii. In the event of any change as referred to in number i and number ii, the Sharia Division shall be required to provide documents relevant to the change.
- 3. The written application and supporting documents referred to in number 1.2) and number 2.2) shall be submitted by the head office of the Sharia Bank, in the case of a Sharia Bank, or by the head office of the conventional bank, in the case of a Sharia Division, or by the Sharia Division on the basis of power-of-attorney issued by the head office of the conventional bank, and addressed to:
  - 1) Directorate of Monetary Management (DPM), c.q. Money Market Operations Division (OPU), Bank Indonesia, Jl. M.H. Thamrin No. 2,

1) Directorate ...

Jakarta, for a Sharia Bank or conventional bank head office on behalf of the Sharia Division or a Sharia Division, having its head office in the working area of the Bank Indonesia Head Office; or

- 2) the local Bank Indonesia Regional Office, c.q. Monetary Policy Implementation Section (PKM), for a Sharia Bank or head office of conventional bank on behalf of Sharia Division or Sharia Division, having its head office outside the working area of the Bank Indonesia Head Office.
4. The written application and supporting documents as referred to in number 1 and number 2 shall be received by Bank Indonesia in full as of 15 (fifteen) minutes after the BI-SSSS pre-cut off.
5. In the event that the Sharia Bank or Sharia Division does not comply with the stipulated requirements and procedure for application for FPJPS, the FPJPS application shall be rejected by Bank Indonesia.
6. In the case of a Sharia Division, in addition to the matters referred to in number 5, if the requirements referred to in number 2.2).c. are not in order, the FPJPS application by the Sharia Division shall be rejected by Bank Indonesia.
7. If the FPJPS amount in the application differs from the outstanding obligations of the Sharia Bank or Sharia Division at Bank Indonesia:
  - a. the FPJPS application by the Sharia Bank or Sharia Division shall be rejected by Bank Indonesia;
  - b. the Sharia Bank or Sharia Division may adjust the amount in the FPJPS application submitted through the BI-SSSS no later than 15 (fifteen) minutes after the BI-SSSS pre-cut off.
  - c. the Sharia Bank or Sharia Division shall resubmit the Financing Agreement or Addendum to Financing Agreement and Deed of Binding of Collateral.

c. the Sharia ...

8. Resubmission of documents as referred to in number 7 shall be received by Bank Indonesia in full no later than 30 (thirty) minutes after the BI-SSSS pre-cut off.
9. Information on approval or rejection of application for FPJPS can be accessed through the BI-SSSS.
10. The mechanism for submission of FPJPS application through the BI-SSSS shall be stipulated further in a Circular Letter concerning guidelines for transactions and administration of securities on the BI-SSSS.

## II. TERM EXTENSION OF FPJPS

1. FPJPS may be extended if any FPJPS fee falling due is settled and the collateral requirements are met.
2. Application for term extension of FPJPS as referred to in number 1 shall be submitted through the BI-SSSS and confirmed by written FPJPS application according to the example in Appendix 1 and a copy to the relevant Directorate of Bank Supervision or Bank Supervision Team at the local Bank Indonesia Regional Office, enclosing:
  - 1) if collateral for FPJPS is held over from existing collateral, the application must enclose an Addendum to Financing Agreement according to the example in Appendix 6.
  - 2) if collateral for FPJPS is new, the application must enclose an Addendum to Financing Agreement as referred to in number 1) and a new Deed of Binding of Collateral according to the example in Appendix 3.
3. If the Sharia Bank or Sharia Division fails to comply with the requirements and procedure for application for term extension of FPJPS, the application for term extension of FPJPS shall be rejected by Bank Indonesia.
4. If the FPJPS amount applied for is different from the lia
 

3. If ...

 settled by the Sharia Bank or Sharia Division with Bank Indonesia:

- a. the FPJPS application by the Sharia Bank or Sharia Division shall be rejected by Bank Indonesia;
  - b. the Sharia Bank or Sharia Division may adjust the amount of the FPJPS application submitted through the BI-SSSS no later than 15 (fifteen) minutes after the BI-SSSS pre-cut off.
  - c. the Sharia Bank or Sharia Division shall resubmit the Financing Agreement or Addendum to Financing Agreement and Deed of Binding of Collateral no later than 30 (thirty) minutes after the BI-SSSS pre-cut off.
5. Resubmission of documents as referred to in number 4 shall be received by Bank Indonesia in full no later than 30 (thirty) minutes after the BI-SSSS pre-cut off.
6. Information on approval or rejection of application for term extension of FPJPS may be accessed through the BI-SSSS.

### III. SETTLEMENT OF FPJPS

#### 1. Settlement of FPJPS at Application Date

Settlement of FPJPS at the initial application date and date of any extension thereto shall proceed by means of crediting the Rupiah demand deposit account of the Sharia Bank or Sharia Division at Bank Indonesia in the approved amount of the FPJPS by means of the BI-SSSS connected directly to the BI-RTGS.

#### 2. Settlement of FPJPS at Maturity Date.

At the maturity date of the FPJPS, Bank Indonesia will debit the rupiah demand deposit account of the Sharia Bank or Sharia Division at Bank Indonesia for the amount and fee of the FPJPS by means of the BI-SSSS connected directly to the BI-RTGS System as follows:

- a. the FPJPS fee shall be debited commencing from 09.00 hours local time in Jakarta to the BI-SSSS cut-off warning; and

2. Settlement ...

- b. the FPJPS amount shall be debited commencing from 16.00 hours local time in Jakarta to the BI-SSSS cut-off warning.
- 3. The mechanism for settlement of FPJPS shall be stipulated further in a Circular Letter concerning guidelines for transactions and administration of securities on the BI-SSSS.

#### IV. FPJPS FEE

##### 1. Fee Charged for FPJPS

- 1) Bank Indonesia shall charge a fee on any FPJPS received by a Sharia Bank or Sharia Division.
- 2) The FPJPS fee as referred to in number 1) shall be charged by Bank Indonesia by debiting the Rupiah demand deposit account of the Sharia Bank or Sharia Division at Bank Indonesia for the FPJPS fee at the FPJPS maturity date by means of the BI-SSSS.
- 3) The mechanism for bookkeeping entry of the FPJPS fee shall be stipulated further in a Circular Letter concerning guidelines for transactions and administration of securities on the BI-SSSS.

##### 2. Calculation of FPJPS Fee

- 1) The amount of the FPJPS fee shall be calculated according to the following formula:

$$X = P \times R \times k \times t/360$$

in which:

X = the amount of fee received by Bank Indonesia in which ...

P = amount of FPJPS

R = actual fee level prior to distribution in the preceding month on 3 (three) month *mudharabah* time deposits or 1 (one) month *mudharabah* time deposits of the beneficiary Sharia Bank or Sharia



Division of the FPJPS, if 3 (three) month *mudharabah* time deposits are not available.

$k$  = ratio of profit sharing with Bank Indonesia.

$t$  = number of calendar days of use of the FPJPS.

Example 1 – calculation of fee:

$$P = \text{Rp } 200,000,000,000.00$$

$$R = 10\%$$

$$k = 90\%$$

$$t = 1$$

The fee is therefore:

$$= \text{Rp } 200,000,000,000.00 \times 10\% \times 90\% \times 1/360$$

$$= \text{Rp } 50,000,000.00$$

Example 2 – calculation of fee:

If the FPJPS application is placed on Friday, the FPJPS tenor is counted as 1 (one) day but the FPJPS fee is calculated for 3 (three) days.

$$P = \text{Rp } 200,000,000,000.00$$

$$R = 10\%$$

$$k = 90\%$$

$$t = 3$$

The amount of the fee is therefore:

$$= \text{Rp } 200,000,000,000.00 \times 10\% \times 90\% \times 3/360$$

$$= \text{Rp } 150,000,000.00$$

- 2). For each term extension of FPJPS, the profit sharing ratio with Bank Indonesia ( $k$ ) will increase by 2.25% with 2). For ...

Therefore, at the:

- a. First term extension of FPJPS, the profit sharing ratio is 92.25%;
- b. Second term extension of FPJPS, the profit sharing ratio shall become 94.50%;

- c. Third term extension of FPJPS, the profit sharing ratio shall become 96.75%;
- d. Fourth and any subsequent term extension of FPJPS, the profit sharing ratio shall become 99.00%.

## V. DISPOSAL OF COLLATERAL

1. Bank Indonesia reserves the right to dispose of collateral for FPJPS in the event that a Sharia Bank or Sharia Division is unable to pay the FPJPS fee at due date and does not extend the term of the FPJPS.
2. If the collateral consists of fund placement in SWBIs, Bank Indonesia shall dispose of the collateral by encashment of the funds placement in SWBIs prior to maturity through the BI-SSSS.
3. The mechanism for disposal of collateral through the BI-SSSS shall be stipulated further in a Circular Letter on transactions and administration of securities on the BI-SSSS.
4. The proceeds of disposal of collateral as referred to in letter B shall be the amount of the funds placement in SWBIs pledged as collateral.
5. In the event of surplus proceeds of disposal of collateral, Bank Indonesia shall return the surplus amount to the Sharia Bank or Sharia Division no later than the following working day by crediting the Rupiah demand deposit account of the Sharia Bank or Sharia Division at Bank Indonesia.
6. If Bank Indonesia pays bonus on the SWBIs, then in the case of disposal of collateral by Bank Indonesia as referred to in number 2, no bonus shall be paid in respect of the disposed SWBI collateral.

6. If ...

Sample disposal of collateral:

- 1) On August 5, 2003, Sharia Bank A submits an FPJPS application as follows:

- Rp 12,000,000,000.00 SWBI placement with a tenor of 28 days (August 1 through 29, 2003);
  - Amount of FPJPS application = Rp 3,000,000,000.00;
  - Amount of SWBI usable for collateral is only Rp 5,000,000,000.00;
- 2) On August 6, 2003, the FPJPS falls due but Sharia Bank A is unable to pay the FPJPS fee and FPJPS amount and is unable to extend the FPJPS. Accordingly, disposal of collateral is calculated as follows:
- The amount of collateral to be disposed of is Rp 5,000,000,000.00.
  - The assumed fee for the FPJPS is Rp 50,000,000.00.
  - The excess value of disposal of collateral in the amount of Rp 1,950,000,000.00 (Rp 5,000,000,000.00 – Rp 3,000,000,000.00 – Rp 50,000,000.00) will be returned to Sharia Bank A no later than the following working day.

## VI. SUPERVISION

1. Bank Indonesia may conduct examination of any Sharia Bank or Sharia Division concerning use of FPJPS.
2. In the event that the Sharia Bank or Sharia Division has used FPJPS for 5 (five) consecutive working days and is under supervision for use of FPJPS, the Sharia Bank or Sharia Division shall submit a plan for settlement of the FPJPS to the relevant Directorate of Bank Supervision or the Bank Supervision Team at the local Bank Indonesia Regional Office.

## VII. SANCTIONS

### VII. SANCTIONS ...

Any violation of the terms and conditions for collateral as referred to in Article 7 of Bank Indonesia Regulation No. 5/3/PBI/2003 concerning the Short Term Financing Facility for Sharia Banks and/or Sharia Divisions shall be liable to sanctions as follows:

1. repayment of FPJPS;
2. disposal of collateral for FPJPS;
3. barred from obtaining FPJPS for a maximum period of 90 (ninety) days;  
and/or
4. administrative sanctions as stipulated in Article 52 paragraph (2) of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.

#### VIII. CONCLUDING PROVISIONS

The provisions in this Circular Letter shall come into force on February 16, 2004.

For the public to be informed, it is ordered that this Circular Letter be promulgated in the State Gazette of the Republic of Indonesia.

Kindly be informed.

BANK INDONESIA,

BUDI MULYA

DIRECTOR OF MONETARY MANAGEMENT